

Message Text

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63

ORIGIN TRSE-00

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 PA-01

PRS-01 USIE-00 L-02 H-02 INRE-00 NSCE-00 SSO-00 FEA-01

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DRAFTED BY TREASURY:SCROSS

APPROVED BY EB/IFD:RJRYAN

TREASURY:CCOOPER (DRAFT)

TREASURY:WSHARP (DRAFT)

EA/VN:RRICHMOND

EA/EP:AGEBER

AA/EA:GZIMMERLY

EA/DP:WLEFES

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FM SECSTATE WASHDC

TO AMEMBASSY SAIGON IMMEDIATE

C O N F I D E N T I A L STATE 089614

E.O. 11652:GDS

TAGS:EFIN

SUBJECT: GVN ACCESS TO IMF RESOURCES

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REF: SAIGON 4984

OUR ASSESSMENT OF GVN ACCESS TO IMF FINANCING IN 1975
IS AS FOLLOWS:

1. GVN HOLDINGS OF SDR, AMOUNTING TO SDR 19.8 MILLION
(APPROXIMATELY U.S. \$24.5 MILLION) IS IMMEDIATELY AND UN-
CONDITIONALLY AVAILABLE AS LONG AS A REQUIREMENT OF NEED
CAN BE SHOWN, WHICH SHOULD BE NO PROBLEM IN THIS CASE.

2. GVN GOLD TRANCHE, AMOUNTING TO SDR 15.5 MILLION (APPROXIMATELY U.S. \$19.2 MILLION) IS PROMPTLY AND UNCONDITIONALLY AVAILABLE FOR DRAWING ON REQUEST BY GVN AND IS NOT SUBJECT TO PRIOR CHALLENGE. IN GVN CASE, HOWEVER, THERE ARE TWO TECHNICAL HITCHES THAT WOULD HAVE TO BE WORKED OUT PRIOR TO GOLD TRANCHE DRAWING. FIRST, GVN HAS NOT PAID ITS FULL SUBSCRIPTION IN PIASTRES. ABOUT SDR 9.4 MILLION OF PIASTRES REMAINS UNPAID. SECOND, GVN WOULD HAVE TO AGREE WITH FUND ON A REPRESENTATIVE RATE FOR FUND TRANSACTIONS. NEITHER OF THESE STEPS NEED TAKE MUCH TIME. WOULD ASSUME GVN SHOULD BE IN TOUCH IMMEDIATELY WITH FUND REP IN BANGKOK ON BEST WAY TO RESOLVE THESE TECHNICAL ISSUES.

3. ACCESS TO OIL FACILITY IS MUCH LESS ASSURED. PRINCIPLES TO GOVERN 1975 IMF OIL FACILITY WHICH HAVE BEEN AGREED WITH U.S. SUPPORT CONTAIN TWO IMPORTANT FEATURES:

FIRST, IT HAS BEEN AGREED THAT DRAWINGS ON 1975 OIL FACILITY WILL BE SUBJECT TO GREATER DEGREE OF CONDITIONALITY THAN WAS CASE FOR 1974 OIL FACILITY, AND WILL BE SIMILAR TO THE CONDITIONALITY CALLED FOR IN A FIRST CREDIT TRANCHE DRAWING FROM THE FUND. A MEMBER PROPOSING TO USE OIL FACILITY MUST DESCRIBE ITS POLICIES TO ACHIEVE MEDIUM-TERM SOLUTIONS TO ITS BALANCE-OF-PAYMENTS PROBLEMS, AND ACCESS TO OIL FACILITY WILL BE SUBJECT TO FUND ASSESSMENT OF ADEQUACY OF THESE POLICIES. THE ASSESSMENT REFERRED TO SHOULD FOCUS ON THE OVERALL BALANCE-OF-PAYMENTS PROSPECTS. THE CRITERION TO BE APPLIED WILL BE THE ABILITY OF THE MEMBER TO FINANCE ITS PAYMENTS ON A SUSTAINABLE BASIS.

SECOND, IT HAS BEEN AGREED THAT, AS IN 1974 OIL FACILITY, COUNTRIES WOULD OBSERVE UNDERSTANDINGS OF ROME

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COMMUNIQUE. THIS MEANS, INTER ALIA, THAT DRAWING COUNTRY WOULD GIVE UNDERTAKINGS NOT TO INTRODUCE OR INTENSIFY BALANCE-OF-PAYMENTS RESTRICTIONS, AND WHERE SUCH RESTRICTIONS HAVE IN FACT BEEN INTRODUCED OR INTENSIFIED, AN EXECUTIVE BOARD DECISION OF CONCURRENCE WOULD BE NECESSARY --CONCURRENCE WHICH WOULD NORMALLY REQUIRE EVIDENCE THAT POLICY MEASURES HAVE BEEN TAKEN, OR WILL BE TAKEN, TO ENSURE THAT THE RESTRICTIVE MEASURES WILL BE TEMPORARY.

4. ACCORDINGLY, UNTIL THERE IS EVIDENCE OF REASONABLE COMPLIANCE WITH THESE PROVISIONS, IT IS DOUBTFUL THAT FUND MANAGEMENT COULD RECOMMEND, OR THAT BOARD WOULD APPROVE, GVN OIL FACILITY DRAWING. PROCESSING OF 1975 OIL FACILITY REQUESTS HAS IN ANY EVENT NOT YET BEGUN, AND WE WOULD ASSUME ACTUAL FLOWS OF OIL FACILITY FUNDS WILL NOT BEGIN UNTIL ABOUT END-MAY. WE WOULD SUGGEST POSTPONING CONSIDERATION OF ANY REQUEST FOR OIL FACILITY DRAWINGS AND RE-EVALUATING SITUATION LATER IN LIGHT OF ACTUAL OPERATION

OF FACILITY AND GVN PROSPECTS. IF QUALIFIED, GVN COULD
RECEIVE SDR 23 MILLION (APPROXIMATELY US \$28.5 MILLION)
FROM OIL FACILITY, UNDER RULE LIMITING PRESENT APPLICATIONS
TO 30 PERCENT OF CALCULATED ENTITLEMENT. REALISTICALLY,
THE POSSIBILITIES OF GETTING GVN ACCESS TO THE OIL
FACILITY ARE VERY SLIM. KISSINGER

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